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## PART V

**Bills introduced in the Council of State and Legislative Assembly, Reports of Select Committees presented to the Council and Assembly and Bills published under rule 18 of the Indian Legislative Rules.**

GOVERNMENT OF INDIA

### LEGISLATIVE ASSEMBLY DEPARTMENT

The following Report of the Select Committee on the Bill further to amend the Insurance Act, 1938 (Second Amendment), was presented to the Legislative Assembly on the 5th March, 1947:—

We, the undersigned, members of the Select Committee to which the Insurance (Second Amendment) Bill, 1946 was referred, have considered the Bill, and have now the honour to submit this our Report, with the Bill as amended by us annexed thereto.

*Clause* 2.—The definition of "banking companies" is in accordance with the definition in the Banking Companies Bill as revised by the Select Committee to which that Bill was referred. If the latter definition is hereafter modified, the former should also, we suggest, be altered in the same terms.

The Bill contemplates that apart from insurance agents licensed under the Act there should be only one other class of intermediaries remunerated on a commission basis, namely, chief agents employing not less than 12 agents and procuring for the insurer new business amounting to not less than Rs. 1,20,000 every year. An organisation of business on these lines may be feasible in the case of a few big companies, but we feel that the majority of the medium and small insurers will be handicapped in the development of their life insurance business by the abolition of the class commonly known as special agents or employers of agents. We have therefore suggested that provision should be made in the Bill as amended for two classes of intermediaries, (i) the chief agent who, in addition to procuring business by employing a considerable number of insurance agents either directly or through employers of agents appointed by him, performs various administrative or organising functions on behalf of the insurer in the region allocated to him, and (ii) the employer of agents who only procures business for the insurer by employing a few insurance agents for the purpose. We have accordingly altered the definition of "chief agent" and added a definition of "employer of agents"

*Clause* 3.—The amendments made in this clause provide for a power to prescribe by rules, if necessary, the classes of business other than insurance business which insurers may be permitted to carry on.

*Clause* 4.—We consider that all co-operative life insurance societies to which Part IV of the Act applies should be exempt from the minimum limits laid down in sub-section (1) of section 4 and the position of such societies should be as it was before the Insurance (Amendment) Act, 1946. Section 5(a)(i) of that Act appears to have been incorrectly worded, and we have revised clause 4 in order to rectify this error.

expenditure on commission and other expenses of management. An overall limit may be laid down for the total expenses of management including expenditure on commission, and in the case of the smaller insurers this limit may be slightly more than provided in the section as originally drafted. The other changes proposed in this section correspond to those proposed in section 40A.

*Proposed section* 40C.—As explained at the beginning of this report, we have revised this section providing for two classes of intermediaries remunerated on a commission basis, *viz.*, chief agents and employers of agents. The provision in the original sub-section (1) is, in our view, too stringent, and we consider that the measures proposed in the revised sub-sections (1) and (2) will be sufficient to regulate the employment of chief agents and employers of agents. In the proviso to sub-section (4)—*cf.* original sub-section (3)—we have provided that the terms of a fresh contract which either party is compelled to enter into with the other are not to the prejudice of the latter except so far as is necessary to bring those terms into conformity with the provisions of the section. Revised sub-section (5) differs from the original sub-section (2) in that it enables a chief agent to operate in areas for which no other chief agent has been appointed, and no branch office established, by the insurer, *e.g.*, within the territorial jurisdiction of the insurer's principal office. Provision is made in sub-section (7) for resolving in a summary manner disputes as to whether a particular person was or is a chief agent or employer of agents for the purposes of the Act.

*Clause* 16.—We do not consider it necessary to require changes in the board of directors of a British Indian life insurance company to be published in newspapers, and have accordingly omitted sub-section (2) of the proposed section 48B.

*Clause* 19.—We have amended sub-section (1) of the proposed section 110C to make it clear that a reasonable period *after* receipt of notice should be allowed by the Superintendent of Insurance for supplying the information called for by him.

A few other changes of a purely formal or consequential character have been proposed.

2. The Bill was published in the *Gazette of India*, Part V, dated 6th April, 1946.

3. We think that the Bill has not been so altered as to require re-publication, and we recommend that it be passed as now amended.

ISMAIL I. CHUNDRIGAR.
JOGENDRA NATH MANDAL.
*GOVIND MALAVIYA.
*T. V. SATAKOPACHARI.
*ROHINI KUMAR CHAUDHURI.
B. B. VARMA.
*R. VENKATASUBBA REDDIAR.
*SRI PRAKASA.
MANU SUBEDAR.
ABDUS SATTAR HAJI ISHAQ SETH.
AHMAD E. H. JAFFER.
SIDDIQUE ALI KHAN.
M. ABID HUSSAIN.
*M. A. F. HIRTZEL.
*J. F. ORMISTON.
COWASJEE JEHANGIR.
D. M. BHATTACHARYYA.
L. S. VAIDYANATHAN.
MUHAMMAD ABDUL AZIZ ANSARI.
P. K. SALVE.

NEW DELHI;
*The 5th March*, 1947.

*Subject to a minute of dissent.

## MINUTES OF DISSENT

### I

(1) We are of the opinion that insurance in India should be nationalised and that steps should be taken by Government towards that end.

(2) Till then, the Insurance Act of 1938, which provides for full control of the affairs of any Insurance Company by the Superintendent of Insurance, should be allowed to continue without any further restrictions being placed on the companies. We are further of the opinion that the present Bill is uncalled for and unnecessary and should be dropped.

(3) We, therefore, reserve to ourselves the right to oppose the Bill or to move amendments to its clauses on the floor of the House.

(4) With regard to the clauses of the Bill, we are of the opinion that:

(i) Clause 7 which imposes still further restrictions upon the right of Insurance Companies in the matter of investments should be deleted, or in the alternative should be replaced by a list of permitted investments on the lines of the Canadian provision. to similar purpose, which Statute contains such a provision. If neither of these two recommendations are accepted we would suggest that to save from jeopardy the successful working of most Insurance Companies in India, some provision should be made for compensatory reliefs to Insurance Companies either in the shape of exemption from income-tax or a guaranteed minimum yield of interest.

(ii) Clause 14 dealing with the limitation of overall expenses should be dropped. Neither the British Law nor the Canadian Law of Insurance has any such provision. If other countries have not had it and do not need it, India, where the history of insurance has been as satisfactory as anywhere else, need not cripple itself by experimenting with such provisions No need at all has ever been made out for such a clause. The tables confused and complicated, will give rise to endless difficulties and controversies. They will only secure one object namely that the bigger companies will be relieved from the worry of having any young and troublesome competitors in the field. We are, therefore, opposed to it.

(iii) Much more so is the case with regard to section 40B which seeks to impose limitations upon overall expenses of general companies. In our opinion this is the sinister and harmful move. The total amount of general business available in the country is very large. A very great deal of it is still going out to foreign countries. It is, therefore, in the interest of the country that the number of Indian, good and sound general insurance companies should increase and all general business be captured by them. This clause will effectively prevent this and will create a virtual monopoly for the few bigger insurance companies working at present in this field.

In importance, fire and general insurance have developed in other countries to even greater extent than life insurance. When no other country has felt the need for such a provision in its law, we fail to understand why India should rush into it. We are of the opinion that such a provision will work to the detriment of the best interest of the country. We, therefore, recommend that it should be dropped.

(iv) In clause 10, sub-section (3) (ii) which provides for advances to Chief Agents, etc., but not exceeding the amount earned by them during the previous 18 months, should have a provision for suitable

advances to new Chief Agents, etc., also within such limits as in the opinion of the insurer be within the figure of the limits contemplated under this clause.

(v) In clause 11, in section 31A(1) in sub-clauses (b) and (c) the words "or employ as manager or officer or in any capacity" be deleted.

(vi) In clause 12 we are of the opinion that sub-section (8) (a) should be deleted.

(vii) In section 40C (1) (a) we are of the opinion that:

companies with less than one crore of business in force should be allowed to have Chief Agents who have at least six insurance agents under them doing yearly business of not less than Rs. 6,000 each; companies who have a total business in force not exceeding 5 crores, should have Chief Agents who have at least 12 similar agents under

companies with business in force not exceeding 10 crores to have Chief Agents who have at least 24 such agents under them;

[illegible] total business in force [illegible] 10 crores to have Chief Agents as stated in this clause, namely, at least 24 agents each doing annual business of not less than Rs. 10,000 under them.

In the same way, in section 40C (2)(a) we feel that the number of, and [illegible] business to be completed [illegible] working under employers of agents should be:

for companies with a business in force of less than 1 crore, at least 5 agents with a minimum annual business of Rs. 4,000 each;

in case of companies with business in force below 5 crores, at least 4 agents with a minimum business of Rs. 5,000 each

in case of companies, with business in force not exceeding 10 crores, 6 agents with business of Rs. 6,000 each at least; and

in case of companies with total business of above 10 crores in force, at least 8 agents with minimum business of Rs. 10,000 each.

(viii) In clause 16, we are of the opinion that section 48B should be deleted.

GOVIND MALAVIYA.
ROHINI KUMAR CHAUDHURI.

NEW DELHI;
*5th March*, 1947.

II

We feel that no person should be allowed to hold ten per cent. of the total shares in any Company as is now provided by clause 5(2)(b)(ii)—as five such persons can combine and control affairs to their own interest and to the detriment of the interest of the other shareholders, an effect the enactment sets itself to defeat. So we would reduce the word "ten" to the word "five" as the maximum number of shares one can hold. The consequential amendments wherever necessary should also be carried out.

In clause 14 (section 40A) in clause (c) we would like to retain the words thirty-five per cent. as in the original draft in preference to forty per cent. as in the amendment by the Select Committee. Likewise we would retain the words forty per cent. in the proviso to sub-clause (c) to section 40A instead of the words fifty per cent. Otherwise, left as it is, we feel the limitation will work hardship on nascent Companies.

T. V. SATAKOPACHARI.
R. VENKATASUBBA REDDIAR.

NEW DELHI;
*5th March* 1947

III

In view of the fact that under the proposed section 6A (*vide* clause 5), it is made obligatory on Insurance Companies to readjust their capital, there should be a method for the new arrangements to be made simply and almost automatically. The procedure prescribed for such purposes in the Companies Act, should not be necessary.

2. I think Government should take in hand the amendment of Section 27 in order to make the compulsory investment of assets, more equitable than it is.

SRI PRAKASA.

NEW DELHI;
*5th March*, 1947.

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IV

Whereas there may be some justification for a measure of control over expenses of management in life business, where in the long-term contracts of policy-holders have to be safeguarded, we can find no justification for similar control in respect of non-life business where there are no long-term contracts and in this connection we think it is significant that in New York State where limitation of expenses is applied to the former class of business no such restriction applies to the latter. Further, we have been unable to find any instance elsewhere in the world of statutory limitation of expenses for general insurance business.

The argument has been put forward that by limiting expenses of management in general insurance business the saving will benefit policy-holders through reductions in premium rates but we believe that such limitation of expenses will, in fact, result in the reverse position. Insurance Companies progressively reduce premium rates as experience proves justifiable. In motor car business progressively increased premium rebates are allowed as "no claim" bonus and, in fire insurance, reductions, frequently very large reductions, are allowed off the premiums for the installation of proper fire extinguishing appliances to minimise claims. If, however, Insurance Companies have to keep their expenses within a limit fixed by reference to their premium income, we cannot visualise voluntary premium reductions or generous premium rebates being allowed in future. Such reductions would, of course, have the effect of still further reducing the Insurance Company's expenses of management and, in our opinion, the ultimate result of the proposed limitation of expenses in general business will be to make the cost of insurance dearer and not cheaper.

In addition to the foregoing, it is, or ought to be, the practice of Insurance Companies transacting fire insurance business to employ highly-qualified technical personnel to advise policy-holders in methods of prevention or reduction of fire waste. This practice has not yet been developed to any great extent in India but its development would be in the general interests of the country as a whole. Limitation of expenses will, however, militate against its development and also of all other types of service given by insurance companies to their policy-holders

Apart altogether from the foregoing, limitation of expenses will prove to be inequitable in its application as between one company and another because the cost of a company's business must necessarily vary with the class and location of the business undertaken.

It is our opinion that the percentage of overall expenses in new section 40B are too low to permit of a company giving proper service to its policy-holders and we consider that, instead of the 40 per cent., 45 per cent. and 50 per cent. mentioned, the figures should be 45 per cent. 47½ per cent. and 50 per cent.

We further consider that an employer of agents should himself be permitted to act as an insurance agent, to procure either life or general insurance business and to draw commission in respect thereof.

We are also of the opinion that the remuneration proposed for employers of agents is inadequate, particularly for those working in rural districts where much travelling is necessary. A result of the low rate of remuneration proposed will be to hinder the development of life insurance business in India.

J. F. ORMISTON.
M. A. F. HIRTZEL.

NEW DELHI;
*5th March*, 1947.

L. A. BILL No. 35 OF 1946

(BILL AS AMENDED BY THE SELECT COMMITTEE)

*(Words underlined or sidelined indicate the amendments suggested by the Committee, asterisks indicate omissions)*

*A Bill further to amend the Insurance Act*, 1938

WHEREAS it is expedient further to amend the Insurance Act, 1938 (IV of 1938), for the purposes hereinafter appearing;

It is hereby enacted as follows:—

1. **Short title.**—This Act may be called the Insurance (* Amendment) Act, 1947.

2. **Amendment of section 2, Act IV of 1938.**—In section 2 of the Insurance Act, 1938 (hereinafter referred to as the said Act),—

(a) after clause (4), the following clause shall be inserted, namely:—

'(4A) "banking company" means any company which may be wound up under the Indian Companies Act, 1913, and which transacts in British India the business of accepting, for the purpose of lending or investment, deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise;';

(b) after clause (5), the following clause shall be inserted, namely:—

'(5A) "chief agent" means a person, not being an officer of an insurer who—

(i) performs any administrative or organising functions on behalf of the insurer, and

(ii) procures life insurance business on behalf of the insurer by employing insurance agents either directly or through employers of agents;';

(c) after clause (6), the following clause shall be inserted, namely:—

'(6A) "employer of agents" means a person, not being an officer of an insurer, who procures life insurance business on his behalf or on behalf of a chief agent of the insurer by employing insurance agents, but does not include a chief agent;';

(d) after clause (10), the following clause shall be inserted, namely:—

'(10A) "investment company" means a company whose principal business is the acquisition and holding of shares, stocks, debentures or other securities;'.

3. **Amendment of section 3, Act IV of 1938.**—In section 3 of the said Act,—

(a) to sub-section (4), the following shall be added, namely:—

"or

(i) if the insurer carries on any business not being insurance or other prescribed business,";

(b) in sub-section (5), for the words, brackets, letter and figure "or clause (h) of sub-section (4)" the words, brackets, letters and figures "clause (h) or clause (i) of sub-section (4) or under section 40A or section 40B" shall be substituted;

(c) in sub-section (5C),—

(i) for the words, brackets and letter "or clause (h)" the words, brackets and letters "clause (h) or clause (i)" shall be substituted;

(ii) after the word, figure and letter "section 3B" the words "or that he has ceased to carry on any business not being insurance or other prescribed business" shall be inserted;

(d) in sub-section (5D), after the word, brackets and figure "subsection (4)," the words, figures and letters "or under section 40A or section 40B" shall be inserted;

(e) in sub-section (6), for the figures and word "10 and" the figures, letters and word "6A, 10, 31A and" shall be substituted.

**4. Amendment of section 4, Act IV of 1938.**—In sub-section (1) of section 4 of the said Act, for the words beginning with the words "No insurer" and ending with the words "shall pay", the words and figures "No insurer, not being a Co-operative Life Insurance Society to which Part IV of this Act applies, shall pay" shall be substituted.

**5. Insertion of new section 6A in Act IV of 1938.**—After section 6 of the said Act the following section shall be inserted, namely:—

"6A. *Requirements as to capital structure and voting rights and the maintenance of registers of beneficial owners of shares.*—(1) No company limited by shares and incorporated under the Indian Companies Act, 1913 (VII of 1913), or under the Indian Companies Act, 1882 (VI of 1882), or under the Indian Companies Act, 1866 (X of 1866), or under any Act repealed thereby, shall carry on life insurance business unless it satisfies all the following conditions, namely:—

(i) that the capital of the company consists only of ordinary shares which have a single face value;

(ii) that except during any period not exceeding one year allowed by the company for payment of calls on shares, the paid-up amount is the same for all shares, whether existing or new;

(iii) that the voting right of every shareholder of the company is strictly proportionate to the number of shares held by him.

(2) A company as aforesaid which carries on life insurance business—

(a) shall maintain, in addition to the register of members to be maintained under the Indian Companies Act, 1913, a register of shares in which shall be entered the name, occupation and address of the beneficial owner of each share, and shall incorporate therein any change of beneficial owner declared to it within fourteen days from the receipt of such declaration;

(b) shall not register any transfer of its shares—

(i) unless, in addition to compliance being made with the provisions of section 34 of the Indian Companies Act, 1913, the transferee furnishes a declaration as to whether he proposes to hold the shares for his own benefit or as a nominee, whether jointly or severally, on behalf of others, and in the latter case giving the name, occupation and address of the beneficial owner or owners, and the extent of the beneficial interest of each; and

(ii) where after the transfer the total paid-up holding of the transferee in the shares of the company, * * * * is likely to be more than ten per cent., * * or where the transferee is a banking company or is an investment company, more than five per cent * *, of the paid-up capital of the company which has issued the shares, unless the previous sanction of the Central Government has been obtained to the transfer.

*Explanation.*—For the purposes of this sub-section and of sub-section (5), the holding of a person in the shares of the company shall be deemed to include—

(i) the total paid-up holding in the shares of the company held by him in the names of others; and

(ii) if any shares of the company are held by an investment company of which he is a member, such part of the total paid-up holding of the investment company in those shares as is proportionate to the contribution made by him in the paid-up capital of the investment company.

(3) Every person in whose name any shares are registered in the register of members of any company referred to in sub-section (2) on the date on which the provisions of this section become applicable to the company, shall within thirty days from that date make a declaration to the company as to whether there are any beneficial owners other than himself in any of the shares standing in his name, and if so, stating the name, occupation and address of the beneficial owner of each such share, and notwithstanding anything contained in any other law or in any contract to the contrary, a person who fails to make a declaration as aforesaid in respect of any shares shall not be entitled to any vote as a shareholder of the company in respect of those shares.

(4) Every person who has any interest in any share of a company referred to in sub-section (2) which stands in the name of another person in the register of members of the company, shall within thirty days from the date on which the provisions of this section become applicable to the company or on which he acquires such interest, whichever is later, make a declaration (which shall be countersigned by the person in whose name the share is registered) to the company declaring his interest in such share, and notwithstanding anything contained in any other law or in any contract to the contrary, a person who fails to make a declaration as aforesaid in respect of any shares shall be deemed to have no right or title whatsoever in those shares.

(5) If the total paid-up holding of any person in the shares of a company referred to in sub-section (2) on the date on which the provisions of this section become applicable to the company exceeds five per cent. of its paid-up capital where that person is a banking company or an investment company, or ten per cent. of its paid-up capital in any other case he shall dispose of the excess holding of shares within one year from that date or such further period as may be allowed by the Central Government, and shall not be entitled to any vote as a shareholder of the company in respect of such excess holding of shares.

(6) The provisions of this section shall not apply to any company in existence at the commencement of the Insurance ( * Amendment) Act, 1947, until the expiry of one year therefrom."

**6. Amendment of section 27, Act IV of 1938.**—In section 27 of the said Act, after sub-section (1) the following sub-section shall be inserted, namely:—

"(1A) The securities in which assets are under sub-section (1) to be invested shall be held by the insurer free of any charge, hypothecation, encumbrance or lien."

**7. Insertion of new section 27A in Act IV of 1938.**—After section 27 of the said Act the following section shall be inserted, namely:—

"27A. *Further provisions regarding investments.*—(1) No insurer shall invest any part of his life insurance fund relating to business within India (hereafter in this section referred to as "Indian life fund") otherwise than in the following approved investments, namely:—

(a) approved securities, or securities of, or guaranteed as to principal and interest by, His Majesty's Government in the United Kingdom or any of His Majesty's dominions;

(b) debentures secured by a charge on immovable property, plant or equipment of any company which has regularly paid interest in full for at least five years immediately preceding on such or similar debentures issued by it;

(c) debentures of any company which has paid regularly dividends on its ordinary shares for at least five years immediately preceding;

(d) preference shares of any company which has paid dividends on its ordinary shares for at least five years immediately preceding;

(e) shares of any company guaranteed by another company which has paid regularly dividends on its ordinary shares for at least five years immediately preceding, provided that the amount of shares under guarantee is not in excess of fifty per cent. of the amount of preference and ordinary shares of the guaranteeing company;

(f) shares of any company on which regular dividends of not less than four per cent. including bonus have been paid for at least seven years immediately preceding;

(g) first mortgages on immovable property in British India or elsewhere where the insurer is carrying on insurance business, provided the property is not a lease-hold property for a term of years and its value exceeds by one-third, or if consisting of buildings, exceeds by one-half, the mortgage-money;

(h) immovable property in British India or elsewhere where the insurer is carrying on insurance business, provided the property is free of all encumbrances;

(i) loans on reversions or life interests, or on policies of life insurance within their surrender values issued by him or by an insurer whose business he has acquired and in respect of which he has assumed liability;

(j) reversions and life interests;

(k) fixed deposits with banks included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934 (II of 1934);

(l) debentures of, shares in, or fixed deposits with, co-operative banks registered under the Co-operative Societies Act, 1912 (II of 1912), or any other law for the time being in force in British India relating to co-operative societies:

Provided that an insurer, being a company, may out of its Indian life fund invest otherwise than in an approved investment if—

(i) after that investment is made, the total amounts of all such investments of the insurer will not exceed eighteen per cent. of the sum referred to in sub-section (*1*) of section 27;

(ii) the investment is made with the unanimous consent of all the directors present at a duly constituted meeting of the directors of which special notice is given to all the directors present in India; and

(iii) the investment is reported to the Central Government within seven days of its being made.

(2) An insurer * * * * shall not out of his Indian life fund invest in the shares of any one banking company or investment company more than—

(a) two and a quarter per cent. of the sum referred to in sub-section (1) of section 27, or

(b) two per cent. of the subscribed share capital of the banking company or investment company concerned,

whichever is less:

Provided that nothing in this sub-section shall apply to investments in the shares of the Reserve Bank of India or of the Imperial Bank of India.

(3) An insurer * * * * shall not out of his Indian life fund invest in the shares or debentures of any one joint stock company other than a banking company or investment company more than—

(a) two and a quarter per cent. of the sum referred to in sub-section (1) of section 27, or

(b) ten per cent. of the subscribed share capital and debentures of the joint stock company,

whichever is less:

Provided that the provisions of this sub-section shall not apply to any investment made with the previous consent of the Central Government by an insurer, being a company, with a view to forming a subsidiary company carrying on life insurance business.

(4) Where an investment is in partly paid-up shares, the uncalled liability on such shares shall be added to the amount invested for the purpose of computing the percentages referred to in clause (a) of sub-section (2) and clause (a) of sub-section (3).

(5) Notwithstanding anything contained in sub-sections (2) and (3), where new shares are issued to the existing shareholders by a joint stock company of which an insurer is already a shareholder, the insurer may subscribe to such new shares, provided that the proportion of new shares subscribed by him does not exceed the proportion which the paid-up amount on the shares held by him immediately before such subscription bears to the total paid-up capital of the company at the time of such subscription.

(6) If on an application submitted through the Superintendent of Insurance the Central Government is satisfied that special grounds exist warranting such exemption, the Central Government may, for such period and to such extent and in relation to such particular investments and subject to such conditions as may be specified by it in this behalf, exempt an insurer from all or any of the provisions of sub-sections (2), (3) and (5). * * * *

(7) An insurer * * * * shall not keep more than three per cent. of his Indian life fund * * * in fixed deposit with any one banking company: * * * *

Provided that in applying this sub-section to the amount in deposit with a banking company on any day, all the premium collected by that company on behalf of the insurer during the preceding thirty days shall be excluded.

(8) If at any time the Central Government considers any one or more of the investments constituting an insurer's Indian life fund to be unsuitable or undesirable, the Central Government may, after giving the insurer an opportunity of being heard, direct him to realise the investment or investments, and the insurer shall comply with the direction within such time as may be specified in the notice.

(9) The provisions of this section shall not apply to any insurer in existence at the commencement of the Insurance ( * Amendment) Act, 1947 until the expiry of one year therefrom, and thereafter the Central Government may allow in respect of any investment which contravenes any of the provisions of this section its continuance for such period as may be specified, if in its opinion realisation of that investment forthwith will not be in the interest of the insurer."

**8. Amendment of section 28, Act IV of 1938.**—In section 28 of the said Act, after sub-section (2) the following sub-section shall be inserted, namely:—

"(2A) In respect of the assets kept invested in accordance with section 27, an insurer shall submit along with the returns referred to in sub-sections (1) and (2) a certificate, where such assets are in the custody of a banking company, from that company, or in any other case, from the chairman, two directors and a principal officer, if the insurer is a company, or otherwise from a principal officer of the insurer, to the effect that the securities are held free of any charge, hypothecation, encumbrance or lien, and every such certificate after the first shall also state that since the date of the last certificate all the securities have been so held."

**9. Insertion of new section 28A and amendment of section 21 in Act IV of 1938.**—(1) After section 28 of the said Act the following section shall be inserted, namely:—

"28A. *Return showing changes in investments.*—Every insurer carrying on life insurance business shall furnish to the Superintendent of Insurance a return in the prescribed form showing the changes in the investments constituting his life insurance fund relating to business within India during each of the quarters ending on the last day of March, June, September and December, within fifteen days from the close of the quarter to which it relates, and every such return shall be certified by a principal officer of the insurer."

(2) In clause (d) of sub-section (1) of section 21 of the said Act, after the word and figures "section 28" the words, figures and letter "or section 28A" shall be inserted.

**10. Amendment of section 29, Act IV of 1938.**—To section 29 of the said Act the following sub-section shall be added, namely:—

"(3) No insurer carrying on life insurance business shall grant any loans or temporary advances, either on hypothecation of property or on personal security or otherwise, except—

(i) subject to the provisions of sub-section (1) of this section, such loans and mortgages as are specified in sub-section (1) of section 27A, and

(ii) temporary advances to an insurance agent, employer of agents or chief agent in respect of his work as such, not exceeding the remuneration earned by him during the eighteen months immediately preceding the grant of the advance:

Provided that nothing in this sub-section shall apply to any loans or advances existing at the commencement of the Insurance ( * Amendment) Act, 1947 until the expiry of one year therefrom."

**11. Insertion of new sections 31A and 31B in Act IV of 1938.**—After section 31 of the said Act the following sections shall be inserted, namely:—

31A. *Provisions relating to managers, etc.*—(1) Notwithstanding anything contrary contained in the Indian Companies Act, 1913 (VII of 1913) **or in the articles of association of the insurer, if a company, or in any** contract or agreement, no insurer shall after the expiry of two years from the commencement of the Insurance ( * Amendment) Act, 1947,—

(a) be managed by a company or a firm, or

(b) be directed or managed by, or employ as manager or officer or in any capacity, any person whose remuneration or any part thereof takes the form of commission or bonus or a share in the valuation surplus in respect of his life insurance business, or

(c) be directed or managed by, or employ as manager or officer or in any capacity, any person whose remuneration or any part thereof takes the form of commission or bonus in respect of his insurance business other than life insurance business:

Provided that nothing in this sub-section shall be deemed to prohibit—

(i) the payment of commission to an insurance agent, employer of agents or * chief agent, in respect of insurance business procured by or through him;

(ii) the payment of commission to a person not being an officer of an insurer who was, on the 1st day of November 1944, employing on behalf of an insurer chief agents or employers of agents and continues so to do, in respect of insurance business procured by or through him:

(iii) the employment of an individual otherwise than as an officer who in his capacity as an insurance agent receives commission in respect of insurance business procured by him;

(iv) the employment as an officer of any individual who receives renewal commissions in respect of life insurance business procured by him as an insurance agent before such employment;

(v) the payment of a share in the profits of insurance business other than life insurance business.

(2) Notwithstanding anything to the contrary contained in the Indian Companies Act, 1913, or in the articles of association of the insurer, being a company, or in any contract or agreement, no manager, managing director or any other person concerned in the management of an insurer's business shall be entitled to nominate a successor to his office, and no person so nominated, whether before or after the commencement of the Insurance (Amendment) Act, 1947, shall be entitled to hold or to continue in such office.

(3) If in the case of any insurance company provision is made by the articles of association of the company or by an agreement entered into between any person and the company for empowering a director or manager or other officer of the company to assign his office to any other person, any assignment of office made in pursuance of the said provision, shall, notwithstanding anything to the contrary contained in the said provisions or in section 86B of the Indian Companies Act, 1913, be null and void.

* * * * * *

(4) No person shall have any right, whether in contract or otherwise, to any compensation for any loss incurred by reason of the operation of any provision of this section.

31B. *Power to restrict payment of excessive remuneration*.—The Central Government may, if it is satisfied that any person is receiving from an insurer remuneration, whether by way of commission or otherwise, on a scale disproportionate, according to the normal standards prevailing in insurance business, to the resources of the insurer, call upon the insurer to comply within six months with such directions as it may think fit to issue in the matter, and if companies with the directions so issued requires the alteration of any of the terms of the contract entered into by such person with the insurer, no compensation shall be payable to him by the insurer by reason only of such alteration or of the resignation of such person if the altered terms are not acceptable to him."

**12. Insertion of new section 32A in Act IV of 1938.**—After section 32 of the said Act the following section shall be inserted, namely:—

"32A. *Prohibition of common officers and requirement to appoint whole time officers.*—(1) A managing director or other officer of an insurer specified in sub-clause (b) of clause (9) of section 2 and carrying on life insurance business shall not be a managing director or other officer of any other insurer carrying on life insurance business or of a banking company or of an investment company.

(2) Where an insurer specified in sub-clause (b) of clause (9) of section 2 has a life insurance fund of more than twenty-five lakhs of rupees or insurance funds totalling more than fifty lakhs of rupees, the manager, managing director, or other officer of the insurer shall be a whole time officer.

(3) Nothing in this section shall prevent—

(a) the manager, managing director or other officer of an insurer being the manager, managing director or other officer of a subsidiary company of the insurer;

(b) the manager, managing director or other officer of an insurer not carrying on any insurance business other than life insurance business being the manager, managing director or other officer of an insurer not carrying on life insurance business;

advice to other insurers.

(4) In this section the expression "officer" shall be deemed not to include a director."

**13. Amendment of section 40, Act IV of 1938.**—In section 40 of the said Act,—

(a) in sub-section (1A), after the words "and sections" the figures and letter "40A," shall be inserted;

(b) to sub-section (2) the following further proviso shall be added, namely:—

"Provided further that nothing in this sub-section shall apply to any policy of life insurance issued after the 31st day of December 1947."

**14. Insertion of new sections 40A to 40D, and amendment of section 16, in Act IV of 1938.**—(1) After section 40 of the said Act, the following sections shall be inserted, namely:—

"40A. *Limitation of expenditure on commission and expenses of management in life insurance business.*—(1) In respect of any policy of life insurance issued in India by an insurer after the 31st day of December 1947 and effected through an insurance agent, no person shall pay or contract to pay to an insurance agent, and no insurance agent shall receive or contract to receive, by way of commission or as remuneration in any form, an amount exceeding—

(a) where the policy grants an immediate annuity or a deferred annuity in consideration of a single premium, or where only one premium is payable on the policy, two per cent. of that premium, or

(b) where the policy grants a deferred annuity in consideration of more than one premium, seven and a half per cent of the first year's premium, and two per cent. of each renewal premium, payable on the policy, or

(c) in any other case, forty per cent. of the first year's premium, and five per cent. of each renewal premium, payable on the policy:

Provided that in a case referred to in clause (c), if the business in force of an insurer is less than two crores of rupees, the insurer may, until the 31st day of December 1950 or until the expiry of nine years after he commenced to carry on life insurance business, whichever is later, pay to an insurance agent, and an insurance agent may receive from such insurer, fifty per cent. of the first year's premium payable on the policy.

(2) In respect of any policy of life insurance issued in India by an insurer after the 31st day of December 1947 and effected through an employer of agents, no person shall pay or contract to pay to an employer of agents, and no employer of agents shall receive or contract to receive, by way of commission or as remuneration in any form, an amount exceeding—

(a) in a case referred to in clause (a) of sub-section (1), half per cent. of the premium, or

(b) in a case referred to in clause (b) of sub-section (1), two per cent. of the first year's premium payable on the policy, or

(c) in a case referred to in clause (c) of sub-section (1), ten per cent. of the first year's premium payable on the policy.

(3) Without prejudice to the provisions of section 102 in respect of a contravention of sub-section (1) or sub-section (2) by an insurer, any insurance agent who contravenes the provisions of sub-section (1), and any employer of agents who contravenes the provisions of sub-section (2), shall be punishable with fine which may extend to one hundred rupees.

(4) After the 31st day of December 1947, no insurer shall, in respect of the life insurance business transacted by him in India, spend as expenses of management in any calendar year an amount exceeding the aggregate sum of—

(i) three and a half per cent. of all premiums received during the year on policies granting an immediate annuity or a deferred annuity in consideration of a single premium, and five per cent. of all premiums received on other single premium policies during the year;

(ii) ten per cent. of all first year's premiums, and four per cent. of all renewal premiums, received during the year on policies granting a deferred annuity in consideration of more than one premium;

(iii) one-fiftieth of one per cent of the total sum assured by policies on which no further premiums are payable;

(iv) one per cent. of all annuities paid during the year;

(v) an amount computed on the basis of the percentages for the time being appropriate to the duration of the insurer's life insurance business specified in the following table, namely:—

| Duration of insurer's life insurance business | Percentage of premiums (less reinsurance) received during the year | |
|---|---|---|
| | of first year's premiums | of renewal premiums |
| First four years | 100...... | 20 |
| Fifth to seventh years | 96½...... | 18 |
| Eighth to tenth years | 93.. ... | 16½ |
| After the tenth year, if the insurer's business in force | | |
| (a) is less than two crores of rupees | 90 ..... | 15 |
| (b) is not less than two crores of rupees | 85...... | 13 |

Provided that during the years 1947 to 1955 (both inclusive) the amount referred to in clause (v) may, if the insurer so desires, be computed on the basis of the percentages specified in the following table, namely:—

| Amount of insurer's business in force | Percentage of premiums (less reinsurance) received during the year | | | | | |
|---|---|---|---|---|---|---|
| | During the years 1947, 1948 and 1949 | | During the years 1950, 1951 and 1952 | | During the years 1953, 1954 and 1955 | |
| | Of first year's premiums | Of renewal premiums | Of first year's premiums | Of renewal premiums | Of first year's premiums | Of renewal premiums |
| Ten crores of rupees or more | 90 | 14½ | 87½ | 13½ | 85 | 13 |
| Five crores of rupees or more but less than ten crores of rupees | 95 | 16 | 90 | 15 | 87½ | 14 |
| Two crores of rupees or more but less than five crores of rupees | 100 | 18 | 95 | 16 | 90 | 14½ |
| One crore of rupees or more but less than two crores of rupees | 100 | 19 | 96 | 17½ | 93 | 16 |
| Less than one crore of rupees | 100 | 20 | 96½ | 18 | 93 | 16½ |

Provided further that the percentages specified in either of the above tables shall, in respect of any first year's premium where the maximum premiums-paying period under the policy is not throughout life nor more than ten years, be reduced to a number equal to seven and a half times the number of whole years in that period.

(5) Every insurer shall incorporate in the revenue account—

(i) a certificate signed by a principal officer in India stating whether the provisions of sub-section (1) and sub-section (2) have been complied with,

(ii) a certificate signed by a principal officer in India, and an auditor's certificate, stating whether the provisions of * * * sub-section (4) have been complied with and certifying that all expenses of management in respect of life insurance business transacted by the insurer in India have been fully debited in the revenue account, and

(iii) if the insurer is carrying on any other class of insurance business in addition to life insurance, an auditor's certificate certifying that all charges incurred in respect of his life insurance business and in respect of his business other than life insurance have been fully debited in the respective revenue accounts.

(6) If any insurer contravenes any provision of this section, other than sub-section (1) and sub-section (2), he shall be punishable with fine which may extend to ten thousand rupees, and if having been convicted twice of an offence punishable under this sub-section, he is again convicted of an offence so punishable, the Superintendent of Insurance may cancel his registration:

Provided that an insurer shall not be deemed to have contravened the provisions of sub-section (4) by reason of his expenses of management having exceeded the amount allowed thereunder—

(a) if the Superintendent of Insurance, on being satisfied by the insurer in this behalf certifies that such excess was due to extraordinary or unforeseen expenses during the year concerned and that the insurer has taken steps which will enable him to comply with the provisions of sub-section (4) during the succeeding year; or

(b) in the case of an insurer required to furnish returns in accordance with sub-section (2) of section 16, if the excess as at the end of the year concerned is shown in the statement in Form K as set forth in the Seventh Schedule, and if the total of such excess does not exceed five per cent. of the amount of expenses allowed under sub-section (4) of this section for the year concerned; or

(c) in the case of any other insurer, if the excess is carried to the balance-sheet as at the end of the year concerned and shown on the assets side of the balance-sheet as such excess, and if such asset entry, together with the other intangible asset entries, if any, in the balance-sheet, does not exceed—

(i) five per cent. of the amount of expenses allowed under sub-section (4) for the year concerned, or

(ii) if the insurer, being a company or a Co-operative Life Insurance Society to which Part IV applies, either began to carry on life insurance business in British India after the 31st day of December 1944, or having begun to carry on such business on or before that date has a business in force of less than one crore of rupees, one-half of the paid-up capital as shown in the balance-sheet or one lakh of rupees, whichever is less:

Provided further that the provisions of sub-clause (ii) of clause (c) of the first proviso shall have effect in the case of an insurer beginning to carry on life insurance business in British India after the 31st day of December, 1944, only during the first five years of his life insurance business in British India, and in any other case, only up to the 31st day of December 1949:

Provided further that nothing in this sub-section shall be construed as permitting an insurer to debit his life insurance fund with expenses of management in excess of the amount allowable under sub-section (4).

(7) An insurer shall not write off otherwise than through the life revenue account any excess of expenses of management shown in a statement in Form K or carried to the assets side of the balance-sheet in accordance with the first proviso to sub-section (6).

(8) The Central Government may, for such period and to such extent and subject to such conditions as it may specify, exempt from the operation of sub-section (4) any insurer in respect of whom the Superintendent of Insurance certifies that in his opinion the application of the provisions of the said sub-section to the insurer is, by reason of the conditions governing the constitution of the insurer or of the nature of the insurance contracts undertaken by the insurer, impracticable.

(9) In this section,—

(a) "business in force" means in relation to any payment made or expense incurred the total sum assured, with bonuses, without taking into account reinsurances ceded or accepted, by an insurer in respect of the whole of his life insurance business on the last working day of the year preceding the calendar year in which the payment is made or the expense incurred;

(b) "calendar year" or "year" means in relation to an insurer who is required to furnish returns in accordance with sub-section (2) of section 16, the period covered by the revenue account furnished by such insurer under clause (b) of that sub-section;

(c) "expenses of management" means all charges, directly or indirectly and wherever incurred, and includes—

(i) commission payments of all kinds,

(ii) any amount shown in the statement in Form K as transferred during the year, or any amount carried to the assets side of the balance-sheet, in accordance with the first proviso to sub-section (6) and

(iii) in the case of an insurer having his principal place of business outside India, a proper share of head office expenses which shall not be less than such percentage as may be prescribed of the total premiums (less reinsurance) received during the year in respect of life insurance business transacted by him in India.

40B. *Limitation of expenditure on * * expenses of management in insurance business other than life.*—(1) No insurer shall, in respect of any class of insurance business transacted by him in India other than life insurance business, * * * * * spend in any year as expenses of management, including commission or remuneration for procuring business, an amount exceeding, where his gross premium income in respect of the particular class of business was in the previous year—

(a) not less than twenty lakhs of rupees, * * forty per cent., or

(b) less than twenty lakhs of rupees * * but not less than ten lakhs of rupees, forty-five per cent., or

(c) less than ten lakhs of rupees, fifty per cent.,

of his gross premium income written direct in India during the year in respect of that class of business:

Provided that an insurer having his principal place of business in India may spend in respect of business written outside India, in addition to his actual expenses incurred outside India, an amount not exceeding five per cent. in respect of direct business or two and a half per cent. in respect of excess available on reciprocal treaties.

(2) Every insurer shall incorporate in the revenue account a certificate signed by a principal officer in India and an auditor's certificate, stating whether the provisions of this section have been complied with, and certifying that all expenses of management, directly or indirectly and wherever incurred, in respect of business referred to in this section have been fully debited in the revenue account.

(3) If any insurer contravenes any provision of this section, he shall be punishable with fine which may extend to ten thousand rupees, and if having been twice convicted of an offence under this section he is again so convicted, the Superintendent of Insurance may cancel his registration:

Provided that an insurer shall not be deemed to have contravened the provisions of sub-section (1) by reason of his expenses of management during any year having exceeded the amount allowed thereunder if the Superintendent of Insurance, on being satisfied by the insurer in this behalf, certifies that such excess was due to extraordinary or unforeseen expenses and that the insurer has taken steps which will enable him to comply with the provisions of sub-section (1) during the succeeding year.

(4) In this section—

(a) "expenses of management" means all charges, directly or indirectly and wherever incurred, including commission payments of all kinds and, in the case of an insurer having his principal place of business outside India, a proper share of head office expenses, which shall not be less than such percentage as may be prescribed of his gross premium income written direct in India during the year;

(b) "gross premium income" means the premium income without taking into account premiums on reinsurances ceded or accepted;

(c) "insurance business transacted in India" includes insurance business wherever effected relating to any property situate in India or to any vessel or aircraft registered in India.

40C. *Chief agents and employers of agents.*—(1) Every contract between an insurer carrying on life insurance business in India and a chief agent shall be in writing, shall specify the area for which the chief agent is appointed, and shall provide—

(a) that the chief agent shall employ, either directly or through employers of agents, at least twelve insurance agents, if the contract be with an insurer whose business in force as defined in sub-section (9) of section 40A is less than one crore of rupees, or in any other case, at least twenty-four insurance agents, each of whom will procure as his agent in each calendar year new business amounting to not less than ten thousand rupees assured;

(b) that in the event of the chief agent failing in any calendar year to comply with the requirements of clause (a), he shall forfeit to the insurer one-tenth of the total remuneration payable to him by the insurer for that year;

(c) that in the event of the chief agent failing to comply with the requirements of clause (a) in two successive calendar years, the contract shall, without prejudice to the provisions of clause (b), terminate on the 31st day of March immediately following.

(2) Every contract between an insurer carrying on life insurance business in India or a chief agent of such insurer and an employer of agents shall be in writing, and shall provide—

(a) that the employer of agents shall employ at least four insurance agents, if the contract be with an insurer whose business in force as defined in sub-section (9) of section 40A is less than one crore of rupees or with a chief agent of such insurer, or in any other case, at least eight insurance agents, each of whom will procure as his agent in each calendar year new business amounting to not less than ten thousand rupees assured.

(b) that in the event of the employer of agents failing in any calendar year to comply with the requirements of clause (a), he shall forfeit to the insurer one-tenth of the total remuneration payable to him by the insurer, or as the case may be the chief agent, for that year;

(c) that in the event of the employer of agents failing to comply with the requirements of clause (a) in two successive calendar years, the contract shall, without prejudice to the provisions of clause (b), terminate on the 31st day of March immediately following.

(3) No such contract as is referred to in sub-section (1) or sub-section (2) shall be entered into or renewed for a period exceeding ten years at a time, and notwithstanding the terms of any contract to the contrary, no option of renewal of any such contract shall be enforceable without the consent of both parties.

(4) Every such contract as is referred to in sub-section (1) or sub-section (2) and subsisting at the commencement of the Insurance (Amendment) Act, 1947, shall terminate on the 31st day of December 1947, if it does not terminate earlier:

Provided, however, that if either party to a contract terminated by the operation of this sub-section so desires the other party shall enter into a fresh contract with him for the unexpired period, not exceeding ten years, of the terminated contract, and the terms of the fresh contract shall—

(a) as respects remuneration, be such as may be mutually agreed upon between the parties, and

(b) as respects all other matters, be the terms of the terminated contract, added to, varied or modified only to such extent as may be mutually agreed upon between the parties or, in the event of disagreement, as may be necessary to bring them into conformity with the provisions of this section:

Provided further that in case of any dispute as to the terms of the fresh contract the matter shall be referred to arbitration.

(5) No chief agent shall, either directly or through insurance agents employed by him, solicit or procure life insurance business for the insurer in any area for which another chief agent has been appointed, or a branch office established, by the insurer; and no branch office of the insurer shall, either directly or through insurance agents, solicit or procure life insurance business for the insurer in any area for which a chief agent has been appointed:

Provided that nothing in this sub-section shall be deemed to prevent an insurance agent from soliciting or procuring life insurance business anywhere and submitting proposals direct to the principal office of the insurer in British India.

(6) If a contract between an insurer and a chief agent or employer of agents is not on its termination renewed, with or without modification, the insurer shall, except in the case of those policies issued before the 1st day of January, 1948, where under the terms of the terminated contract the insurer is liable to pay the chief agent or, as the case may be, the employer of agents renewal commission in respect of future premiums on such policies, pay the renewal commission to the insurance agents employed by the chief agent or, as the case may be, the employer of agents in respect of the future premiums paid on the policies procured by them for the insurer, as if the insurance agents were directly appointed agents of the insurer.

(7) If any dispute arises as to whether a person was or is a chief agent or an employer of agents for the purposes of this Act, the matter shall be referred to the Superintendent of Insurance whose decision shall be final.

40D. *Power to call for information for certain purposes.*—For the purposes of ensuring compliance with the provisions of sections 40A, 40B and 40C, the Superintendent of Insurance may by notice,—

(a) require from an insurer, * chief agent or employer of agents such information certified, if the notice so directs, by an auditor or actuary, as he may consider necessary for the said purposes;

(b) require an insurer, * chief agent or employer of agents to submit for his examination at the principal place of business in British India, any book of account, register or other document or to supply any statement which may be specified in the notice;

(c) examine any officer of an insurer or a chief agent or an employer of agents on oath in relation to any such information, book, register, document or statement, and administer an oath accordingly;

and an insurer, * chief agent or employer of agents shall comply with any such requirement within such time as may be specified in the notice."

(2) In section 16 of the said Act,—

(*a*) in clause (*c*) of sub-section (*2*), the word "and" shall be omitted;

(*b*) to sub-section (*2*) the following clause shall be added, namely:—

"(*e*) in the case of an insurer carrying on life insurance business in India, a duly audited statement in Form K as set forth in the Seventh Schedule".

**15. Amendment of section 48, Act IV of 1938.**—In sub-section (1) of section 48 of the said Act, after the words "directors of the company" the words "and in any case not less than two" shall be inserted.

**16. Insertion of new section 48B in Act IV of 1938.**—After section 48A of the said Act, the following section shall be inserted, namely:—

"48B. *Further provisions regarding directors.*—An insurer specified in sub-clause (b) of clause (9) of section 2 and carrying on life insurance business shall not have a common director with another such insurer:

Provided that this section shall not apply where one insurer is the subsidiary of the other."

* * * * * *

**17. Amendment of section 71, Act IV of 1938.**—In section 71 of the said Act, after the figures "20," the figures and letter "31A," shall be inserted

**18. Amendment of section 102, Act IV of 1938.**—In section 102 of the said Act, after sub-section (1) the following sub-section shall be inserted, namely:—

"(1A) The provisions of sub-section (1) shall apply to chief agents and employers of agents as they apply to insurers."

**19. Insertion of new section 110C in Act IV of 1938.**—After section 110B of the said Act, the following section shall be inserted, namely:—

"110C. *Power to call for information.*—(1) The Superintendent of Insurance may by notice require any insurer to supply him with any information relating to his insurance business, and the insurer shall comply with such requirement within such reasonable period after receipt of the notice as may be specified in the notice.

(2) Information supplied under this section shall be certified by a principal officer of the insurer, and if the notice so requires, also by an auditor."

**20. Amendment of First Schedule, Act IV of 1938.**—In the First Schedule to the said Act, in Form A,—

(a) in the first column, for the item "Life Insurance Fund" the following item shall be substituted, namely:—

"Life Insurance Fund—

(i) Business within India............

(ii) Business out of India............";

(b) to the fifth column the following shall be added, namely:—

"Excess of Expenses of Management:

Balance brought forward from last year.

*Less*—Amount written off during the year (as shown in the Revenue Account) ————————

*Add*—Amount transferred during the year (as shown in the Revenue Account) ————————"

**21. Amendment of Third Schedule, Act IV of 1938.**—In the Third Schedule to the said Act, for Form D the following shall be substituted, namely:—

"FORM D.

FORM OF REVENUE ACCOUNT APPLICABLE TO LIFE INSURANCE BUSINESS.

*Revenue Account of* *for the year ended* ***the 31st December*** 19

*in respect of* *Business.*

| — | Business within India | Business out of India (a) | Total | — | Business within India | Business out of India (a) | Total |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| | Rs. | Rs. | Rs. | | Rs. | Rs. | Rs. |
| Claims under Policies (including provision for claims due or intimated) less reinsurances— | | | | Balance of Fund at the beginning of the year. | | | |
| by death . . | | | | Premiums, less reinsurances— | | | |
| by maturity . | | | | (i) First year premiums, where the maximum premiums-paying period (d) is— | | | |
| Annuities less reinsurances. | | | | two years . . | | | |
| Surrenders (including surrenders of bonus), less reinsurances. | | | | three years . . | | | |
| | | | | four years . . | | | |
| | | | | five years . . | | | |
| Bonuses in cash, less Reinsurances. | | | | six years . . | | | |
| | | | | seven years . | | | |
| Bonuses in reduction of premises, less reinsurances. | | | | eight years . . | | | |
| | | | | nine years . . | | | |
| | | | | ten years . . | | | |
| | | | | eleven years . | | | |
| Expenses of Management (b)— | | | | twelve years or over (including throughout life) | | | |
| 1. Commission to insurance agents (less that on reinsurances). | | | | (ii) Renewal premiums. | | | |
| | | | | (iii) Single premiums. | | | |
| 2. Allowances and commission, other than commission included in item 1. | | | | Consideration for annuities granted less reinsurance (e). | | | |
| 3. Salaries, etc. (other than to agents and those contained in items 1 and 2)(c). | | | | Interest, dividends and Rents. | | | |
| 4. Travelling expenses. | | | | *Less* Income-tax thereon (f). | | | |
| 5. Directors' fees | | | | Registration fees . | | | |
| 6. Auditors' fees . | | | | Other income (to be specified) (g). | | | |
| 7. Medical fees . | | | | | | | |
| 8. Law charges . | | | | Loss transferred to Profit and Loss Account. | | | |
| 9. Advertisements . | | | | | | | |
| 10. Printing and stationery. | | | | Transferred from Appropriation Account. | | | |

| 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|---|---|
| 11. Rents for offices belonging to and occupied by the insurer. | | | | | | | |
| 12. Rents of other offices occupied by the insurer. | | | | | | | |
| 13. Other expenses of management (accounts to be specified). | | | | | | | |
| 14. Excess expenses during previous years written off. | | | | Gross premium written direct in India. (*Vide* regulation 7 in Part I of the Third Schedule to the Insurance Act, 1938). | Rs. | | |
| Total expenses of management during the year. | | | | | | | |
| *Less* excess expenses during the current year. | | | | Maximum expenses of management allowed under section 40A of the said Act. | Rs. | | |
| Carried to balance sheet. | | | | | | | |
| Balance . . . | | | | | | | |
| Bad debts. . . | | | | | | | |
| United Kingdom, British Indian, Dominion and Foreign Taxes. | | | | | | | |
| Other expenditure not being expenses of management (to be specified). | | | | | | | |
| Profit transferred to Profit and Loss Account. | | | | | | | |
| Balance of fund at the end of the year as shown in the Balance-sheet. | | | | | | | |

(a) These columns apply only to business the premiums in respect of which are ordinarily paid outside India. If any question arises whether any premiums are ordinarily paid outside India, the Superintendent of Insurance shall decide the question, and his decision shall be final.

(b) In the case of an insurer having his principal place of business outside British India the expenses of management for business out of India and total business need not be split up into the several sub-heads, if they are not so split up in his own country.'

(c) Under this item the salary paid to the * * * managing director shall be shown separately from the total amount paid as salaries to the remaining staff

(d) Where the maximum premiums-paying period includes a fraction of year, such fraction shall be ignored for the purposes of this revenue account.

(e) All single premiums for annuities, whether immediate or deferred, must be included under this heading.

(f) British Indian, United Kingdom, Foreign and Dominion Income-tax on Interest, Dividends and rents must be shown under this heading, less any rebates of income-tax recovered from the revenue authorities in respect of expenses of management. The separate heading on the other side of the account is for United Kingdom, British Indian, Foreign and Dominions taxes, other than those shown under this head.

(g) Under the head "Other Income" fines, if any, realised from the staff must be shown separately. All the amounts received by the insurer directly or indirectly whether from his head office or from any other source outside India shall also be shown separately in the revenue account except such sums as properly appertain to the capital account."

**22. Insertion of Seventh Schedule in Act IV of 1938.**—After the Sixth Schedule to the said Act, the following Schedule shall be added, namely:—

"THE SEVENTH SCHEDULE.

[*See sections* 16(2) (*e*) *and* 40A (6) (*b*).]

FORM K.

Statement of excess of Expenses of Management of on 19

Excess of expenses of management in life insurance business.

| | |
|---|---|
| Balance brought forward from last year. | |
| *Less*—Amount written off during the year (as shown in the revenue account). | |
| *Add*—Amount transferred during the year (as shown in the revenue account). | |
| Total | |

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M. N. KAUL,
*Secy. to the Govt. of India*